Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1983

Ontario

Energy
Ontario

Minister

Ministry
of
Energy

Queen's Park
Toronto, Ontario
M7A 2B7
416/965-2041
Telex 06217880

October 27, 1983

TO THE HONOURABLE JOHN BLACK AIRD
O.C., Q.C., B.A., LL.D.

Lieutenant Governor of the Province of Ontario

MAY IT PLEASE YOUR HONOUR:

I take pleasure in submitting the Twenty Third Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1983.

Respectfully submitted,

Philip Andrewes
Minister of Energy

Ontario

Chairman

Ontario
Energy
Board

9th Floor
14 Carlton Street
Toronto, Ontario
M5B 1J2
[redacted]
416/598-1600

October 25, 1983.

Honourable Philip Andrewes,
Minister of Energy,
Queen's Park,
Toronto, Ontario.
M7A 2B7

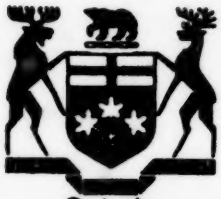
Dear Minister:

I have the honour to present herewith the Annual Report of the Ontario Energy Board for the fiscal year ended March 31, 1983.

Respectfully submitted,

R. H. Clendining

Robert H. Clendining,
Chairman.



Ontario
Energy
Board

ANNUAL REPORT

Fiscal Year Ended March 31, 1983

Copies available at $2.50 prepaid from Ontario Government Bookstore, 880 Bay Street, Toronto; telephone (416) 965-2054.

Out-of-town customers please write (enclosing cheque or money order payable to the 'Treasurer of Ontario') to Ministry of Government Services, Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario M7A 1N8.

Telephone: (416) 965-6015
Toll-free long distance: 1-800-268-7540
Northwestern Ontario 0-Zenith 67200.

ISSN 0317-4891

7C 10:83

CONTENTS

Page

INTRODUCTION

Role of the Board 1
Major Activities of the Board 1

REGULATORY HEARINGS

Natural Gas Rates 3
Introduction 3
The Consumers' Gas Company Ltd 5
Inter-City Gas Corporation 8
Natural Resource Gas Limited 9
Northern & Central Gas Corporation Limited 10
Tecumseh Gas Storage Limited 12
Union Gas Limited 13
Wellandport Gas Limited 14

Gas Storage 15

Certificates and Franchises 15

Pipeline Construction 15
Pipeline Exemptions 16

Arbitration 16

ADVISORY HEARINGS

Ontario Hydro 18
Natural Gas Used as a Feedstock 21

OTHER MATTERS

Ontario Pipeline Coordination Committee 22
Regulation Amendments 23
Letters of Concern and Customer Complaints 24
Administration 25

APPENDICES

'A' Jurisdiction of the Board

'B-1' Residential Rates Changes Granted
- The Consumers' Gas Company Ltd

'B-2' Residential Rates Changes Granted
- Northern and Central Gas Corporation Limited

'B-3' Residential Rates Changes Granted
- Union Gas Limited

'C' Selected Statistics
- Major Ontario Natural Gas Utilities

'D' Principal Natural Gas Pipelines In Ontario

Many of the quantitative references in this Report are expressed in metric units. The following conversion table is provided for your convenience.

1 cubic metre (m^3)=0.0353 thousand cubic feet (Mcf)

1 thousand cubic metres (10^3m^3)=0.0353 million cubic feet (MMcf)

1 kilometre(km)=0.6214 miles

1 thousand cubic feet(Mcf)=28.328 cubic metres (m^3)

1 million cubic feet(MMcf)=28.328 thousand cubic metres (10^3m^3)

1 mile=1.609 kilometres (km)

INTRODUCTION

Role of the Board

The Board has jurisdiction over and responsibility for various energy related matters which are outlined in Appendix 'A'. Under the Ontario Energy Board Act, its Regulations and other relevant statutes, the principal responsibilities of the Board may be summarized as:

- regulation of natural gas rates;
- approval of municipal natural gas franchises;
- approval of hydrocarbon pipelines construction;
- authorization of expropriations of land for facilities;
- regulation of gas utility accounting procedures; and
- advising on any question respecting energy.

A natural gas utility operating in Ontario must obtain Board approval before it can change its rates, construct certain facilities or enter into franchise agreements with municipalities. All such matters are dealt with at public hearings before the Board.

In its advisory capacity, the Board responds to references from the Minister of Energy regarding Ontario Hydro, the Minister of Natural Resources regarding certain oil and gas production concerns, and the Lieutenant Governor in Council on any question respecting energy.

Major Activities of the Board

During the fiscal year rate related matters were prominent before the Board. Major factors were the continuing increase in the cost of natural gas from Western Canada and the increasing revenue requirements of the utilities.

In addition to the annual reference from the Minister of Energy regarding Ontario Hydro bulk power rates, there was a total of 16 applications for gas rate changes as well as 12 other proceedings. These are summarized in this Report.

Improvements to the overall regulatory process, referred to in previous Annual Reports, are working well. The Board will be taking other initiatives such as the establishment of common filing requirements, annual monitoring forms, and is conducting studies on an industry-wide basis designed to improve and expedite the hearing process.

Since many of the proceedings before the Board are in respect of rates changes, a brochure entitled "How Does a Gas Utility Change Its Rates?" was published in the previous fiscal year to assist natural gas users and the general public to better understand the process whereby rates are changed. The brochure was sent to Members of the Legislature, all Ontario municipalities, the media and others, and is available on request. A copy is enclosed with this Report.

REGULATORY HEARINGS

Natural Gas Rates

Introduction

As noted previously the two main causes of increasing natural gas prices in Ontario continue to be the cost of gas and the operating revenues required by the utilities. As shown in Appendix 'B' the most frequent increase and the largest in dollar terms was the wholesale cost of gas. This represents what Ontario gas utilities must pay for natural gas delivered to Ontario from Western Canada. This wholesale gas cost is a combination of the price at the Alberta border as determined by the Alberta and Federal governments, TransCanada PipeLines Limited transportation tariffs as established by the National Energy Board, and excise and other taxes set by the Federal Government.

Comparatively speaking, the in-province distribution costs are a relatively small component of the gas rates paid by utility customers. These revenues, which are required by the utilities to continue operations and to raise necessary capital, are the subject of careful scrutiny at Board public hearings. Since the Ontario Energy Board Act requires that any rates change be approved by the Board, the impact of the Federally-imposed gas cost increases are similarly scrutinized during a hearing. The Board must be satisfied that these warrant being passed through to customers, and at the same time must determine whether the utility can absorb some or all of such costs.

During the fiscal year increases in the wholesale cost of gas imposed on the utilities by the Federal government were as follows:

Effective Date	Amount of Increase
August 1, 1982	\$9.38 per 10^3m^3
September 1, 1982	\$4.51 per 10^3m^3
February 1, 1983	\$2.24 per 10^3m^3

Typical residential customer rates changes granted to each of the three major Ontario gas utilities during the fiscal year, together with approximate annualized costs, are shown in Appendix 'B'.

The following are highlights of rates and other applications considered by the Board since the previous Annual Report.

The Consumers' Gas Company Ltd.

Consumers' distributes natural gas in parts of southern and eastern Ontario, including Metropolitan Toronto. It also operates under the names of Brockville Gas, Grimsby Gas, Ottawa Gas and Provincial Gas.

This utility's main rates application required 43 hearing days over a period of 7 months because there was an unusually large number of intervenors, as well as several complex issues.

The utility had originally claimed a deficiency of $83 million which it later reduced to about $48 million. During Phase I of the hearing the Board allowed a deficiency of $20 million on an interim basis effective December 20, 1982. At the completion of Phase I, in its Reasons for Decision of January 26, 1983, the Board determined a rate base of $1,155,729,000, an allowed rate of return thereon of 12.52 percent, including 15.75 percent on common equity, and a total revenue deficiency of $20.1 million. The Board concluded, therefore, that no further rate increases were justified. Prior to this, on November 23, the Board had approved interim rate increases permitting Consumers' to recover wholesale gas cost increases which occurred during the summer.

In its original application Consumers' requested the Board to approve increases in rates which would include the collection of income taxes on a 'normalized' or deferred basis. This request was subsequently withdrawn, and

resulted in the remaining increased revenue requirements from each customer class being not more than 6 percent, exclusive of any upstream gas cost increases that might have been approved by the Federal Government.

Consumers' also proposed changes to rate structures, including an increase in the fixed monthly charge for residential customers from $6.27 to $18.30 and a surcharge for gas consumed in January, February and March with off-setting charges for the balance of the year. This proposal was also withdrawn.

Nonetheless, the utility requested the Board to consider and rule on the principles and merits of deferred income tax recovery and on the philosophy that led to the three-part residential rate proposal i.e. - customer charge, capacity charge and commodity charge. This request was rejected by the Board.

The pre-hearing publicity given to the proposed fixed monthly charge and surcharge aspects of Consumers' original application resulted in the Board receiving a substantial number of letters of concern and a petition which was directed to the Board, the Lieutenant Governor in Council and the Legislative Assembly.

The Inflation Restraint Act, 1982, enacted on September 21, affected companies whose prices are regulated by Ontario public agencies. Under the Act, certain economic criteria were established as a basis for determining appropriate increases. Several intervenors referred to the Federal and Ontario restraint programs and requested the Board to limit any rate increases to the levels established by these programs. All counsel participating in the hearing

addressed the question of whether or not the Ontario legislation required the Board to apply the restraint criteria in approving or fixing just and reasonable rates. The Board did not decide that question in these proceedings, since in the Board's view such criteria had in any event been met.

During the course of the hearing the Industrial Gas Users Association, Cyanamid (Canada) Inc., and the Urban Development Institute, Apartment Group, objected to the utility's method of calculating the increased rates. Consumers' had refused to answer certain of these intervenors' interrogatories which they considered necessary for effective opposition to the utility's methods, and each made a motion requesting the Board to order Consumers' to answer the interrogatories. The Board denied Cyanamid's request, and part of the Urban Development Institute's request, but required that the balance of the interrogatories be answered. The Board's Reasons for Decision relating to Cyanamid's motion were the subject of a petition to the Lieutenant Governor in Council by Cyanamid. The Lieutenant Governor in Council directed the Board to re-hear the issue, but before the Board could comply with this direction Consumers' volunteered to provide the material requested by Cyanamid.

Subsequent to the conclusion of the hearing, the Board re-opened the proceedings for the purpose of hearing evidence regarding Consumers' actual results for fiscal 1982 compared with the estimated results it had submitted in September 1982.

On February 23, 1983, the Ontario New Democratic Party Caucus petitioned the Lieutenant Governor in Council to disallow that part of the rate increase relating to revenue deficiency in excess of $16 million so that Consumers' 1983 net income would be frozen at its 1982 level. This petition was pending at the end of the fiscal year. (A similar petition, referred to in the previous Annual Report, was denied by the Lieutenant Governor in Council on July 9, 1983.)

Phase II of the hearing concluded on March 4, 1983 and the Board's decision was pending at the end of the fiscal year. (Reasons for Decision were subsequently issued on April 26, 1983).

Inter-City Gas Corporation

Inter-City is a Manitoba-based gas utility which distributes gas in and west of Fort Frances, Ontario. An unusual feature of this utility's distribution system is its reliance on one large industrial customer (Boise Cascade Canada Limited) for more than 90 percent of its total sales. This situation has a major effect on the utility's entire operation.

Inter-City Gas Corporation (Ontario Division), being a wholly owned subsidiary, has no capital structure of its own. Consequently, the Board has been obliged to set an allowable rate of return based on a hypothetical capital structure.

As noted in the previous Annual Report, the Board's decision on Inter-City's main rates application was pending at the end of that fiscal year. It was subsequently issued April 29, 1982 with new rates effective June 1, 1982.

Inter-City had requested no change in its allowable rate of return and the Board allowed 15.5 percent on common equity and 11.69 percent on a rate base of $1,068,116 at December 31, 1980.

An issue during the hearing was the establishment of a reasonable allocation of the corporate gas costs. In its Reasons for Decision the Board accepted the utility's proposals on the allocation of gas costs to the Ontario Division, and determined a revenue deficiency of $104,330 which resulted in an increase in gas rates of 2.78¢ per Mcf.

Inter-City was granted the following interim rate increases during this fiscal year:

Effective Date	Amount of Increase	Reason
Oct. 1, 1982	32.14¢ per Mcf	wholesale gas costs
Mar. 1, 1983	5.45¢ per Mcf	wholesale gas costs

The Board also approved rates under which Inter-City would provide temporary winter service to Boise Cascade Canada Limited from November 1, 1982 to April 1, 1983.

Natural Resource Gas Limited

Natural Resource Gas (NRG) is a small utility serving Aylmer and surrounding communities and purchases its natural gas supply from Union Gas, Consumers' Gas and local producers.

NRG's first main rates hearing, which began in February 1982, reconvened in May 1982 after the filing of additional information requested by the Board. The Board's Reasons for Decision of August 31, 1982 determined a total revenue deficiency of $205,879. Of this amount, $203,000 was already being recovered as a result of earlier interim increases. The balance of $2,879 went towards the equalization of rates throughout the system. As a result the Medina-Belmont rate differential was reduced from approximately 55¢ to 47¢ per Mcf effective September 1, 1982.

During the fiscal year NRG was granted an interim rate increase of 2¢ per Mcf on June 1 because of wholesale gas cost increases, and a further increase on September 1 of 8¢ per Mcf due to a revenue deficiency relating to Belmont division customers only. On December 1, 1982, as a result of further wholesale gas costs, rates were increased 38¢ per Mcf to all customers and an additional 47¢ per Mcf to Belmont division customers in order to equalize the rates for the entire system.

Northern and Central Gas Corporation Limited

Northern and Central distributes natural gas in parts of northern and southeastern Ontario.

The hearing of this utility's rates application commenced on September 27 and concluded on November 30, 1982. This was the first time that Northern and Central had used a prospective test year (calendar year 1983) to calculate its rate base, cost of service and revenue deficiency and, as a result, the utility's budgeting methodology was a major issue.

The Inflation Restraint Act, 1982 became effective September 21, 1982 and had a compliance period of 12 months, which impacted Northern and Central's interim rate increase granted February 11, 1983 as well as the prospective test year. Counsel participating in the hearing addressed the question of whether or not this Act required the Board to apply the restraint criteria in approving or fixing just and reasonable rates. The Board decided that it could not do so.

There were four interim decisions during the course of the proceedings. By Orders dated September 30 and October 12, 1982 the Board allowed the utility to pass through increases in the wholesale cost of gas.

On February 11, 1983 the Board issued Reasons for Decision allowing the pass-through of increased wholesale gas costs effective February 1, 1983, and interim rate increases to reflect a revenue deficiency of $10,000,000.

In its Reasons for Decision of March 8, 1983 the Board determined a rate base of $237,986,695, an allowed rate of return thereon of 12.65 percent including 16.00 percent on common equity, and a pre-tax revenue deficiency of $13,619,992.

By Order-in-Council dated March 16, 1983 the Board was prevented from issuing an Order implementing its March 8 Reasons for Decision because the Minister of Consumer and Commercial Relations had referred the decision to the Inflation Restraint Board for consideration. The matter was still under review at the end of the fiscal year.

Tecumseh Gas Storage Limited

Tecumseh provides underground gas storage facilities in Lambton County to serve The Consumers' Gas Company Ltd. It does not distribute natural gas.

On February 1, 1982, Tecumseh applied for increased rates and other charges for the storage and transportation of gas. The hearing and concluded on June 15, 1982 after 5 days of hearing. The test year was Tecumseh's fiscal year ending March 31, 1983. On the basis of an average rate base without annualization, the utility claimed a revenue deficiency of $2,578,400 on an annual basis effective April 1, 1983. It also claimed that if an August 1, 1983 effective date was used, then the deficiency would be $3,252,600, resulting from the effect of regulatory lag. On a claimed rate base of $53,234,879, a major issue was the valuation of the storage pools and in particular the storage rights obtained from Imperial Oil Limited.

In its Reasons for Decision of July 20, 1982 the Board determined the total rate base to be $51,260,781 and that a reasonable allowance to be included in rate base for the cost of the gas storage rights acquired by Tecumseh was the $13,494,749 claimed by the utility. The Board determined an allowable rate of return on the rate base of 12.39 percent including 15.00 percent on common equity. These findings resulted in a revenue deficiency of $2,417,993. The effective date of increase in rates was established as May 1, 1983.

Union Gas Limited

Union distributes natural gas in most of southwestern Ontario.

As noted in the previous Annual Report, Dow Chemical Canada Inc. applied to the Divisional Court for leave to appeal the Board's decision on Union's application relating to Petrosar Limited which increased rates effective February 1, 1982. Leave to appeal was granted in March; the appeal was heard in October 1982, and in December 1982 the court denied the appeal. In January 1983 Dow requested, and was granted, leave to appeal the Court judgment. The appeal was argued before the Court of Appeal in May 1983, and denied on August 16, 1983.

Also previously noted was the filing of Union's main rates application in October 1981. This application was heard by the Board in January and February of 1982. In its Reasons for Decision of April 8, 1982 the Board determined a rate base of $713,350,000, an allowed rate of return thereon of 13.08 percent including 16.75 percent on common equity and a revenue deficiency of $31,062,000 resulting in rate increases effective April 15, 1982.

During the course of that hearing, rate of return, the capital budgeting process, and the obligation to serve were issues reviewed by the Board. The Board ordered Union to file a report on the impact of its system expansion on customer rates, and a study to examine the degree of discrimination and cross-subsidization within the General Service Rate.

A major issue in that hearing was Union's practice of offering group billing to certain customers in the General Service Rate classification. After hearing evidence from boards of education, municipalities and commercial and industrial users, the Board determined that this practice was unduly discriminatory and detrimental to the other customers in this rate class, and that group billing for municipalities and school boards on non-contiguous properties was to be discontinued.

Later in the fiscal year changes in the wholesale price of natural gas from Western Canada resulted in residential rate increases effective December 13, 1982.

A new rates application for Union's fiscal year 1984 was filed by the utility in September 1982. This application was heard by the Board in December 1982 and in January and February 1983. The decision was pending at the end of the fiscal year. (Board Reasons for Decision were subsequently issued on April 22, 1983).

Wellandport Gas Limited

Wellandport is a small natural gas utility serving customers in the Townships of West Lincoln and Wainfleet in the Regional Municipality of Niagara. It produces most of its own natural gas but also purchases some from Union Gas Limited.

The Board issued an interim Order increasing Wellandport's rates by approximately 23¢ per Mcf for gas billed on and after August 1, 1982 due to increased Federal natural gas taxes and gas purchase costs.

Gas Storage

During the fiscal year the Board approved the parties, term and storage volume of a short-term storage agreement whereby Union would store natural gas for Consumers'. The Board also approved a storage agreement between Tecumseh Gas and Consumers', the effect of which was to convert an existing agreement to metric units and to slightly increase storage volumes. Also approved was an amendment to an agreement between Union and the Kingston Public Utilities Commission which has increased the Commission's maximum storage balance and contract demand.

Certificates and Franchises

During the fiscal year the Board granted a certificate of public convenience and necessity to Northern and Central Gas Corporation Limited for the construction of works to supply natural gas to the Town of Valley East.

The Board also approved or prescribed the terms and conditions of 5 franchise agreements for the distribution of natural gas as follows:

Consumers' Gas	- County of Renfrew*; Regional Municipality of Durham*; Town of Rockland
Northern & Central Gas	- Township of Winchester
Wellandport Gas	- Township of West Lincoln*

*municipalities enfranchised for the first time.

Pipeline Construction

The Board granted Union Gas Limited leave to construct a 2.75 kilometre looping section of its existing Hanover-Walkerton transmission pipeline, in the Town of Hanover. Leave was granted subject to certain conditions relating primarily to environmental matters.

Pipeline Exemptions

In special circumstances the Board may exempt a person from obtaining leave to construct a particular transmission pipeline. The following two exemption Orders were made during the fiscal year.

- The Consumers' Gas Company Ltd. was granted an exemption for a short section of transmission line to connect its existing Haley Station lateral to the new TransCanada PipeLine North Bay Short Cut Line in the Township of Ross, County of Renfrew.
- Union Gas Limited was granted an exemption to replace two short sections of its Amherstburg pipeline in the Townships of Anderdon and Sandwich West, County of Essex.

Arbitration

On July 16, 1982 the Board issued its Reasons for Decision on the Bentpath Pool applications referred to in the previous Annual Report. This decision dealt with three applications to determine compensation payable for storage rights from various landowners in the Township of Dawn, County of Lambton. Three of the landowners had no storage agreements with Union Gas, but several had executed agreements purporting to vest storage rights in Union Gas. The latter group claimed that the agreements were invalid because they had been obtained through misrepresentation. The Board held that it had the jurisdiction, as part of its broader administrative function, to determine the validity of these agreements for the purposes of considering compensation under section 21(2) and (3) of the Ontario Energy Board Act. The Board determined that most of the agreements were valid and, consequently, only five landowners had standing before the Board on the issue of compensation.

The Board then proceeded to determine fair, just and equitable compensation for these landowners recognizing the principles contained in the Expropriations Act. It was decided to determine compensation based on the market value for gas storage rights at the time of this Decision and taking into account any relevant trends which were evident for the future.

The Board concluded that compensation from 1974 to 1982 should be $18.50 per annum per acre and from 1983 to 1990 $24.00 per annum per acre to be paid each year in advance, with interest at 11.98 percent on all amounts outstanding. The Board directed Union to pay the landowners, except for the Township of Dawn, on a proportional basis for the gas that remained in the Bentpath Pool at the time storage injection commenced as if the residual volumes of 466,216 Mcf had been produced on July 31, 1974 at the rate of 2¢ per Mcf plus interest. The Board also ordered additional payments of $100 per well per year up to and including 1982 and $300 per well per year from 1983 to 1990 inclusive.

The landowners had also requested the Board to rescind its earlier Orders which allowed Union to join the interest of the landowners in the Bentpath Pool and to inject gas into it. These requests were rejected on the grounds that they were contrary to the public interest.

In conclusion the Board ordered Union to pay the reasonable legal, appraisal and other costs of the five landowners.

ADVISORY HEARINGS

Ontario Hydro

A reference was received from the Minister of Energy on February 12, 1982 requesting the Board to examine and report on the 1983 bulk power revenue requirement of Ontario Hydro and the seasonally and time-differentiated rates proposed for 1983. Due to the significant changes proposed in Hydro's rate structure, the Board divided the hearing into two Phases, and heard evidence as follows:

Phase I	- Bulk power revenue requirement	April 21 - May 14, 1982,
Phase II	- Cost allocation and rates	June 1 - June 30, 1982.

Written argument was submitted by the various parties at the conclusion of each Phase.

Ontario Hydro initially proposed a net revenue requirement of $3,617 million for 1983 compared to $3,064 million for 1982. Of the requested increase $110 million was expected to be derived from increased sales leaving $443 million to be recovered through a proposed rate increase of 13.9 percent. In final argument Hydro increased its net revenue requirement by $54 million which resulted in a final requested increase of 15.7 percent.

In its August 31, 1982 Report to the Minister, the Board recommended that the 1983 revenue requirement be reduced by $161.6 million. This effectively reduced the proposed rate increase to 8.8 percent.

The Board made the following specific recommendations and comments:

Recommendations Relating to Cost Allocation and Rate Design

1) The Composite Peaking Plant (CPP) concept should be adopted for purposes of determining generation capacity costs.

2) The winter rating period should consist of the months October through March and the summer season consist of the months April through September.

3) The Expected Unsupplied Energy (EUE) concept should be adopted for the distribution of capacity costs to pricing periods.

4) A sixty minute demand interval for purposes of assessing demand charges should be accepted.

5) The bulk power rates should be seasonally and diurnally differentiated although the diurnal energy charge differential should be nominal and not cost-based in 1983.

6) That the designations Interruptible A and Interruptible B rates be discontinued and replaced by an interruptible rate classification designated 'Capacity Interruptible'.

7) The Capacity Interruptible Rate should not contain a rebate based upon kilowatt interruption per hour as proposed.

8) Hydro should not proceed at that time with its proposal to negotiate rates with certain large customers.

9) Time-Of-Use (TOU) rates should be assessed on all energy delivered to the bulk power customers on and after January 1, 1983.

10) The costs as reduced should be passed through the cost-allocation process in arriving at time-differentiated rates.

Recommendations Relating to Future Hearings

1) That Hydro produce for the Board at the next hearing such information on coal supply contracts as is customarily supplied by utilities appearing before their regulatory agencies.

2) That Hydro be prepared to show cause at next year's hearing as to why the Board should not recommend termination of the NPD agreement and the moving of the training and testing to some other nuclear facility.

3) That Hydro's apparent practice of paying overtime to its engineering and management staff be closely examined at the next hearing.

4) That Hydro expedite its current review of heavy water production and include consideration of all accounting aspects of the program and report at the next hearing.

5) That Hydro pursue further the sinking fund alternative as part of its debt retirement program and report at the next hearing.

6) That Hydro examine the adequacy and effectiveness of the control of capital costs and report at the next hearing.

Recommendations Relating to Other Matters

1) That Hydro reconsider policies with respect to:
   - net income provision in the costing of internal transfers of electricity.
   - costing of steam supplied to the BHWP.
   - costing of commissioning energy.

2) That Hydro proceed with its plan to relocate many of its head office staff to a location other than downtown Toronto and it again consider disposing of its former head office building.

3) That Hydro review the policy of not capitalizing the development costs of major projects prior to their authorization by Order-in-Council.

4) That Hydro check and report yearly on each of the factors in its determination of the provision for the cost of nuclear decommissioning.

Comments for Consideration of the Minister

1) An early report from the committee investigating Hydro's net income would be of assistance to the Board.

2) The Board was also of the opinion that a review of bulk power rates will become increasingly difficult when considered in isolation from retail rates. The Minister may wish to provide an appropriate forum for such investigation.

Natural Gas Used as a Feedstock

On February 9, 1983 by Order-in-Council 316/83 the Lieutenant Governor in Council directed the Board to hold a public hearing and report on aspects of natural gas supply and pricing of concern to Ontario industries using natural gas as a feedstock.

Notices of the Order-in-Council were published nationwide in March and May subsequent to the end of the fiscal year. The hearing was scheduled to begin July 18, 1983.

The Board will hear submissions concerning the natural gas feedstock industries relating to two major groups of proposals:

a) alternative gas supply arrangements, other than the traditional purchase from regulated distributors and,

b) a province-wide common rate for natural gas used as a feedstock.

OTHER MATTERS

Ontario Pipeline Coordination Committee (OPCC)

As noted in the previous Annual Report, the OPCC is an interministerial committee chaired by the Board's Pipeline Coordinator. Principal participants are the Ministries of Agriculture and Food, Consumer and Commercial Relations, Environment and, Natural Resources. Others who participate in the Committee's work, depending upon the impact of specific pipeline projects, are the Ministries of Citizenship and Culture, Municipal Affairs and Housing, Energy, and the Niagara Escarpment Commission.

The purpose of the OPCC is to ensure that pipelines have minimal undesirable effect on the land by requiring that:

- environmentally sensitive areas be avoided in route selection;
- landowners be adequately notified and informed;
- construction procedures and schedules be developed to cause the least disturbance to the right-of-way and surroundings; and
- clean-up and restoration measures be responsibly implemented to restore the right-of-way to as good a condition as existed before the project was started.

During the fiscal year the OPCC assisted Board counsel in the hearing of pipeline applications and recommended conditions of approval to the Board. It also monitored construction and site restoration to ensure that the conditions of Board Orders were implemented.

The OPCC also assisted the Ministry of Energy in reviewing various projects related to the Federal government Distribution System Expansion Program (DSEP) for natural gas.

In addition, the OPCC monitored National Energy Board approved construction of a TransCanada PipeLines Limited large diameter, high pressure natural gas transmission line from North Bay to Morrisburg. It also monitored construction of looping sections of existing pipelines by TCPL and Union Gas Limited in northern and southern Ontario respectively.

There are over 13,000 kilometres of transmission pipeline in Ontario transporting natural gas, crude oil and petroleum products (see Appendix 'C'). During the fiscal year the OPCC was involved in monitoring various stages of construction of some 575 kilometres of natural gas pipeline.

Regulation Amendments

Ontario Regulation 700, R.R.O. 1980 was amended twice during the fiscal year. Ontario Regulation 805/82 exempted sellers of compressed natural gas sold as a motor vehicle fuel from rate regulation under section 19 of the Ontario Energy Board Act. This is intended to encourage the use of natural gas as a vehicle fuel. The major gas distributors are required to keep special accounts if they wish to take advantage of this exemption.

Ontario Regulation 820/82 exempted MICC Investments Limited and The Mortgage Insurance Company of Canada from a public hearing required by section 26 of the Act in relation to their proposal to acquire shares and warrants of Inter-City Gas Corporation. This was a major Canada-wide transaction in which MICC and Inter-City acquired shares of each other. The impact on Ontario customers was expected to be insignificant.

Letters of Concern and Customer Complaints

In Board Notices of Application (which are published in newspapers having major circulation in Ontario) provision is made for those who do not wish to actively participate in the hearing to write to the Board expressing any concerns they may have about the application. These letters are reviewed by Board staff when preparing for the hearing and are summarized at the hearing by Board Counsel. In this fiscal year the Board received 667 letters of concern and several petitions, as compared to 57 letters in the previous fiscal year.

In addition to letters of concern regarding specific applications, the Board also receives letters from natural gas customers relating to a variety of difficulties which have arisen with their gas utility. Board staff discuss some of these matters with the parties in an attempt to resolve the issues. In this fiscal year the Board received 205 customer complaint letters, as compared to 116 in the previous fiscal year.

Administration

Board total expenditures for the fiscal year were $2,316,426 of which $733,399 was recovered from applicants by way of fees and costs and paid into the Consolidated Revenue Fund of the Province.

At the end of the fiscal year the staff of the Board totalled 35. Board members and senior staff were:

R. H. Clendining	-	Chairman
I. C. MacNabb	-	Vice Chairman
S. J. Wychowanec	-	Vice Chairman
H. R. Chatterson	-	Member
D. A. Dean	-	Member
J. R. Dunn	-	Member
D. H. Thornton	-	Member
J. C. Butler	-	Part-time Member
R. R. Perdue	-	Part-time Member
D. M. Treadgold	-	Part-time Member
O. J. Cook	-	Acting Director of Operations; Manager, Financial Analysis and Energy Returns Officer
P. F. Cunningham	-	Administrative Advisor
S.A.C. Thomas	-	Board Secretary
D. S. Saxe	-	Board Counsel
D. R. Cochran	-	Special Projects Officer
C. J. Mackie	-	Manager, Engineering

JURISDICTION OF THE BOARD

Under the Ontario Energy Board Act

Approving or fixing rates and other charges for the sale of gas by transmitters, distributors and storage companies and for the transmission, distribution and storage of gas.

Ensuring compliance by gas utilities with the Uniform System of Accounts.

Granting leave to construct pipelines and related facilities.

Granting authority to expropriate land for pipelines and related facilities and authorizing pipelines to cross highways, utility lines and ditches.

Recommending to the Lieutenant Governor in Council the creation of designated gas storage areas and authorizing their use and arbitrating compensation payable to landowners under certain conditions.

Approving gas storage agreements and permitting a transmitter or distributor to use the empty space of a storage company.

Unitizing the interests in gas and oil spacing units and pools.

Reporting to the Lieutenant Governor in Council, after hearings, on applications by gas utilities to sell their assets or amalgamate with other utilities and on applications by persons to acquire shares of a gas utility which would result in a holding of more than 20 per cent of such shares.

Reporting to the Lieutenant Governor in Council on energy questions referred to the Board.

Examining into and reporting to the Minister of Energy on Hydro rates and rate-related matters, pursuant to references from the Minister.

Under the Municipal Franchises Act

Approving the terms of a proposed by-law granting a franchise to supply gas to a municipal corporation or distribute gas in the municipality, and extending the term of such franchise or of a transmission franchise.

Granting certificates of public convenience and necessity to construct works and supply gas in municipalities.

Under the Petroleum Resources Act

Reporting to the Minister of Natural Resources, pursuant to references from him, on certain applications for permits and licences.

Under the Public Utilities Act

Controlling gas utilities that contravene municipal by-laws prohibiting the distribution and sale of gas containing sulphuretted hydrogen.

Under the Assessment Act

Deciding whether certain gas pipelines are transmission lines for assessment purposes.

The Toronto District Heating Corporation Act, 1980*

Fixing steam rates for certain customers of the Toronto District Heating Corporation, formerly the Toronto Hospitals Steam Corporation, upon appeal by the customer. *(Section 14 of this Act, the section which relates to the Board, was proclaimed in force on November 1, 1982.)

NATURAL GAS RATE CHANGES GRANTED TO THE CONSUMERS' GAS COMPANY LTD. FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1982 TO MARCH 31, 1983)

A typical residential customer, using 3.77 10^3m^3 of gas annually for space and water heating, would have incurred an annualized cost of approximately $778 based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

Effective Date	Amount per 10^3m^3	Reason	Annualized effect on typical residential customer
	$		$ (approximately)
November 23, 1982	14.48	wholesale gas costs	55
December 20, 1982	5.03	revenue deficiency	19
March 19, 1983	2.14	wholesale gas costs	8
	21.65		82

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 10.5 percent higher or approximately $860.

NATURAL GAS RATE CHANGES GRANTED TO NORTHERN AND CENTRAL GAS CORPORATION LIMITED FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1982 TO MARCH 31, 1983)

A typical residential customer, using 4.40 10^3m^3 of gas annually in the Western Zone, or 4.24 10^3m^3 in the Northern Zone, or 3.66 10^3m^3 in the Eastern Zone, for space and water heating, would have incurred an approximate annualized cost of $775 or $777 or $697, respectively, based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

	Amount per 10^3m^3				Annualized effect on typical residential customer		
Effective Date	West Zone $	North Zone $	East Zone $	Reason	West Zone $	North Zone $	East Zone $
					(approximately)		
Sept. 26/82	17.62	18.85	19.52	wholesale gas costs	78	80	72
Feb. 6/83	2.08	2.15	2.23	wholesale gas costs	9	9	8
Feb. 11/83	7.17	7.17	7.17	revenue deficiency	32	30	26
*March 8/83	2.58	2.58	2.58	revenue deficiency	11	11	9
	29.45	30.75	31.50		130	130	115

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 16.7 percent higher or $905 in the Western Zone, or 16.8 percent higher or $907 in the Northern Zone, or 16.6 percent higher or $812 in the Eastern Zone.

* under review at the end of the fiscal year.

NATURAL GAS RATE CHANGES GRANTED TO UNION GAS LIMITED FOR TYPICAL RESIDENTIAL CUSTOMERS (FISCAL YEAR APRIL 1, 1982 TO MARCH 31, 1983)

A typical residential customer, using 3.54 10^3m^3 of gas annually for space and water heating, would have incurred an annualized cost of approximately $687 based on rates in effect at the beginning of the fiscal year.

During the fiscal year the following rate changes were granted:

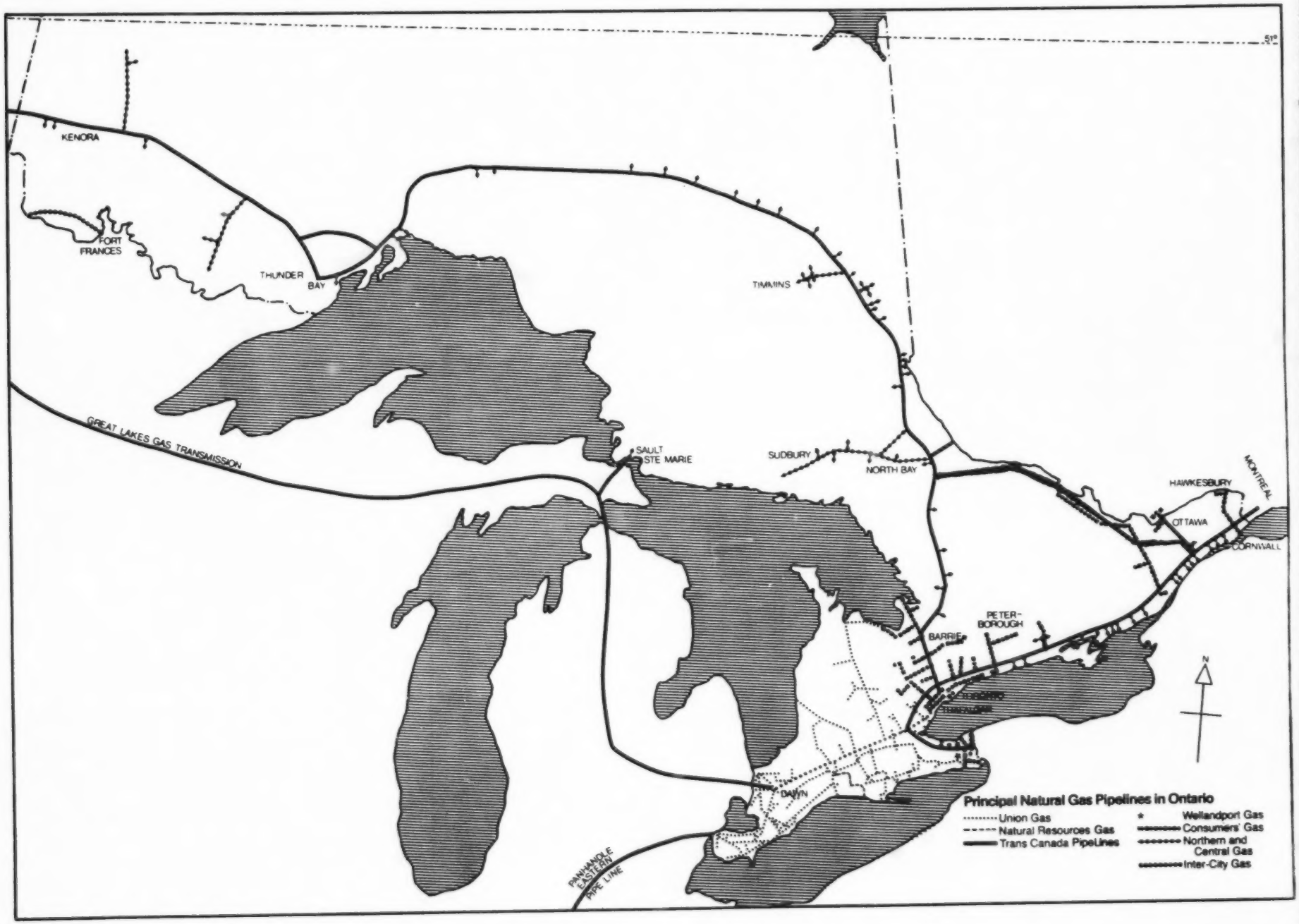
Effective Date	Amount per 10^3m^3	Reason	Annualized effect on typical residential customer
	$		$ (approximately)
April 15, 1982	11.65	revenue deficiency	41
December 13, 1982	13.77	wholesale gas costs	49
	25.42		90

Based on the above, the annualized cost for a typical residential customer at the end of the fiscal year would have been approximately 13.1 percent higher or approximately $777.

SELECTED STATISTICS
MAJOR ONTARIO NATURAL GAS UTILITIES*
(Fiscal Year April 1, 1982 to March 31, 1983)

	1983	1982 (rounded)
Number of Customers:		
Residential	1,199,400	1,142,600
Commercial & Industrial	138,600	136,800
Total	1,338,000	1,279,400
Sales Volume: (10^3m^3)		
Residential	4,299,600	3,987,100
Commercial & Industrial	14,462,400	14,650,400
Total	18,762,000	18,637,500
Sales Revenue: ($000)		
Residential	796,800	623,300
Commercial & Industrial	1,960,800	1,714,800
Total	2,757,600	2,338,100
Distributors' Cost of Natural Gas: ($000)	2,423,500	1,894,700
Capital Invested in Utility Operations (Rate Base) ($000)	2,035,200	1,828,500
Transmission and Distribution Pipelines:		
Kilometers	39,200	36,900

* The Consumers' Gas Company Ltd., Northern and Central Gas Corporation Limited and Union Gas Limited.


51°
KENORA
FORT FRANCES
THUNDER BAY
TIMMINS
GREAT LAKES GAS TRANSMISSION
SAULT STE MARIE
SUDBURY
NORTH BAY
HAWKESBURY
MONTREAL
OTTAWA
CORNWALL
PETER-BOROUGH
BARRIE
DAWN
PANHANDLE EASTERN PIPE LINE
N
Principal Natural Gas Pipelines in Ontario
Union Gas
Natural Resources Gas
Trans Canada PipeLines
Wellandport Gas
Consumers' Gas
Northern and Central Gas
Inter-City Gas

A decision can be changed

Board decisions may be challenged in three different ways:

- the Board may itself review a decision either upon the application of any interested party or upon its own initiative;
- interested parties may, within twenty-eight days of a decision, petition the Cabinet of the Ontario government to review it; or
- upon questions of law or jurisdiction, application for judicial review may be made to the Divisional Court.

Other matters

The Ontario Energy Board is responsible for more than just natural gas rates. It regulates other matters relating to the oil and gas industry, including pipeline construction and gas distribution franchises.

The Board also reviews annually the wholesale rates proposed by Ontario Hydro and makes written recommendations on them to the Minister of Energy. The Board does not, however, review the rates of municipal electric utilities.

A more precise explanation of the Board's authority and procedures may be found in the Ontario Energy Board Act and Regulations, the Municipal Franchises Act, and the Petroleum Resources Act.

For further information, please contact:

Board Secretary
Ontario Energy Board
14 Carlton Street, 9th Floor
Toronto, Ontario
M5B 1J2

Telephone (collect): 416/598-4000

Ontario
Energy
Board

Ontario

12/1981

How Does a Gas Utility Change Its Rates?

Ontario
Energy
Board

Ontario

Under Ontario law the private gas utilities cannot set their own selling prices. If they want a rate change they must apply to the Ontario Energy Board.

Some basic facts

The three largest Ontario gas utilities are *Consumers' Gas* (serving parts of central and eastern Ontario and operating also as *Brockville Gas, Grimsby Gas, Ottawa Gas,* and *Provincial Gas); Northern and Central Gas* (serving parts of northern and eastern Ontario); and *Union Gas* (serving parts of southwestern Ontario).

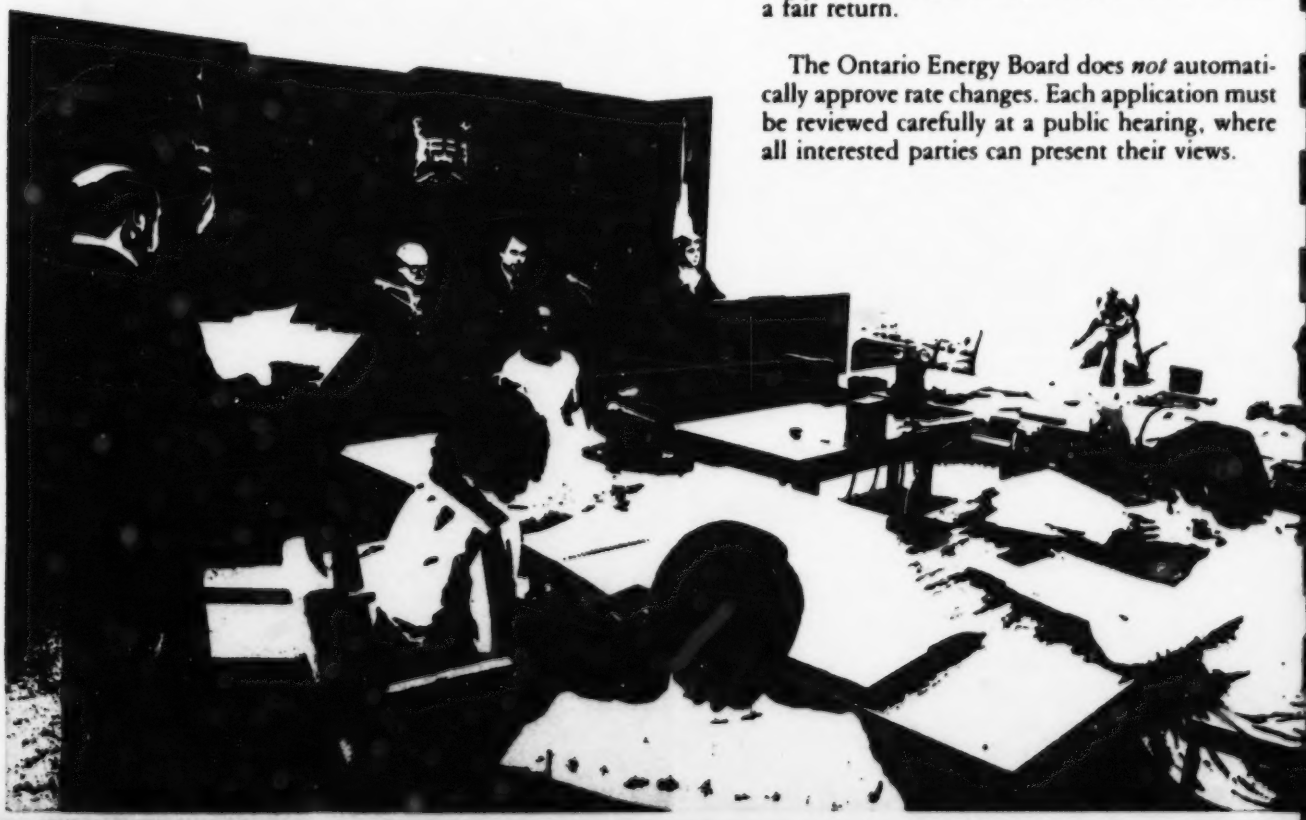
Smaller areas are served by *Natural Resource Gas, Inter-City Gas,* and *Wellandport Gas.*

All these utilities are under the jurisdiction of the Ontario Energy Board.

The gas utilities in Kingston and Kitchener are municipally owned and controlled. Their rates are not determined by the Ontario Energy Board.

The Ontario Energy Board limits the income of the natural gas utilities in Ontario and controls the rates they charge for gas being sold to their customers. The Board is responsible for setting rates that are as low as possible while providing investors in the gas utility an opportunity to earn a fair return.

The Ontario Energy Board does *not* automatically approve rate changes. Each application must be reviewed carefully at a public hearing, where all interested parties can present their views.



Ontario produces less than 2 per cent of its natural gas needs. Most of its supply comes from western Canada by two pipeline systems, one across Canada through northern Ontario and the other through the United States re-entering Canada near Sarnia.

The federal government sets the price Ontario gas distributors must pay for gas from western Canada. This factor has accounted for about 78 per cent of residential rate increases in recent years, with the balance due to the increased operating costs of the Ontario gas utilities.

What happens before the hearing?

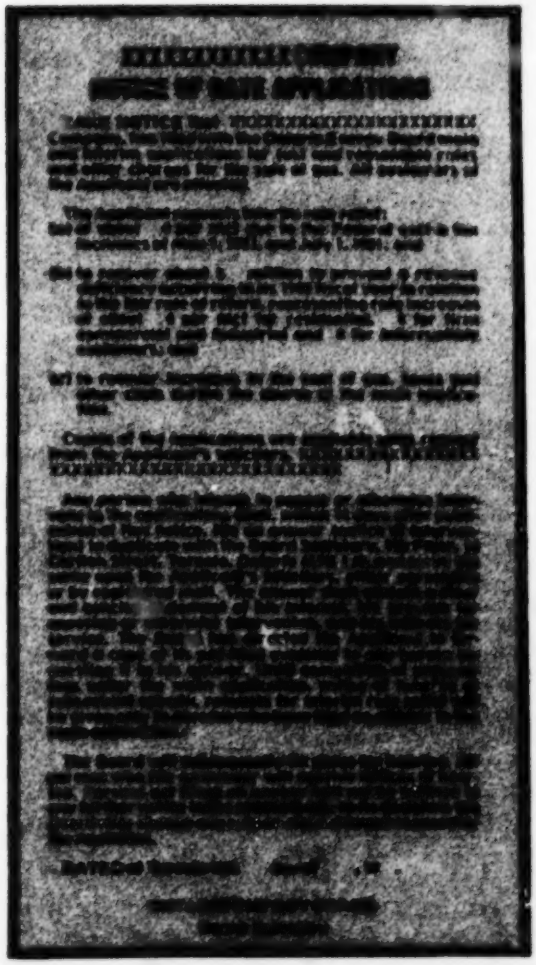
The gas utility's application

A rate review begins when a gas utility files an application for a rate change. The utility must also file enough written information so the Board can conduct a thorough review of the financial position of the utility and the appropriateness of the new rates being requested. If the Board feels that the information is inadequate, further information is always obtained. The Board staff examines all the material prior to the public hearing.

Notice to the public

After receiving the gas utility's application, the Board instructs the utility to notify affected parties.

Municipal governments in the gas utility's service area are always informed by registered mail or courier. For the thousands of individual customers, notification is by newspaper advertisements like the following example. Sometimes a hearing date is included in the advertisement. In either case, instructions to potential participants are set out.



Who can participate?

All gas customers, whether residential customers or large industrial users, are entitled to participate. So are municipalities and groups or associations that wish to present a collective point of view. Those that do participate are called intervenors. Although lawyers or agents frequently represent intervenors, this is not essential; individual citizens do appear and speak for themselves.

How to intervene

Within the period specified in the notice, usually two weeks, the prospective intervenor must inform the Board in writing of the intention to intervene, sending a copy to the gas utility's lawyers as well.

The intervenor should say if he or she wishes to appear at the hearing. Recognizing that some people cannot attend at all stages or arrange for someone to be present on their behalf, the Board Secretary will try to arrange a time when a participant may be heard.

Although it is sometimes more effective to appear in person (or be represented by a lawyer, agent, or a group spokesman), a simple intervention can be made by writing a letter to the Board Secretary for presentation at the hearing.

Whether a letter is written for filing at the hearing or a party wishes actually to participate, the written notice of intervention should indicate why the person has an interest in the outcome of the hearing and the reasons for supporting or opposing the gas utility's application. A written submission providing other details may also be helpful. An intervenor may file his submission later, after requesting and reading the utility's pre-filed evidence.

Board staff and counsel are available to assist the public to intervene. The Board Secretary should be contacted if assistance is required.

Once the date and location of the hearing have been established, the Board Secretary will arrange for the intervenors to be notified.

Pre-hearing conferences

It is often helpful if participants hold a meeting to review the material for clarification, to define their differences, and to arrange procedural matters before the hearing. All intervenors receive notice of, and are encouraged to attend, these public conferences.

The hearing

Anyone is welcome to attend a hearing, which may last from a few days to several weeks. Hearings are usually held in the Board offices in Toronto.

At the hearing the utility must prove that it needs the rate changes applied for. The Board usually hears the utility's evidence first. Intervenors may ask questions of the utility witnesses or make their views known by giving evidence or by presenting a submission, or all three. Persons giving evidence can be questioned by all participants at the hearing, including lawyers representing the utility, Board staff, and the Board members themselves.

A transcript of the hearing is taken. A copy is available at the Board offices for inspection by any member of the public.

Interim hearings

If a gas utility believes that a change in its cost of buying gas or in other costs of doing business will cause it to suffer immediate financial difficulties, it can apply for an interim rate change. These interim rate applications also require public hearings, which last only a day or so. When interim rate changes are granted they are still subject to review at the main hearing.

After the hearing

The Board's decision and order

After hearing all evidence and submissions, the Board members who heard the case deliberate and make a decision. The Board's decision is then written and released.

The Board may deny the rate change requested, grant a portion of it, or approve the entire request if it is justified. The decision is accompanied by reasons for decision.

Finally, a Board order is issued, and the rate changes become effective. All participants receive copies of the decision and order, which are also available to the public.

POOR

QUALITY

ORIGINAL